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CENTRAL INTELLIGENCE AGENCY

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4. The SED is being purged of dubious elements, and reversion to illegal activity is considered possible. Great emphasis will be put on nationalism, through non-SED parties. The KPD is considered suitable for illegal activity. The lifting of the blockade is considered a shrewd Soviet move to capture the initiative of the Foreign Ministers' Conference. The ability of the Soviet Zone to continue to export to western Europe and to exist without western raw materials is considered proof that the counter blockade did not force the Soviet move.
5. Since the United States did not use the ERP to setup an overall controlled economy embracing all Marshall Plan states, serious economic recessions can be awaited in western Europe and later in the United States. This is expected to strengthen the Soviets in the Foreign Ministers' Conference meetings later in the year.**

*  Comment: At present foreign currency acquired through export goes in- to Soviet hands and the German accounts are credited with Marks. All details of these transactions are inaccessible to the Germans and even bookkeepers handling the accounts are unable to determine the disposition of foreign currency.

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**  Comment: The summary may possibly reflect official Soviet views on Eastern Zone matters as passed to trusted Germans. More likely it represents an official handout of the Russians designed to reassure wavering elements among their supporters in the DWK.

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